



## An Assembly Plan to Restore Power to California

AB 18X (Hertzberg) is a comprehensive plan that will accomplish the following set of principles:

Yesterday we introduced legislation to restore power for California. Our bill will *keep the lights on, keep rates low* and protect the *incredible economic growth* that California has enjoyed in recent years.

**Our legislation is based on four key principles:**

- ✓ It does not use **taxpayer dollars**.
- ✓ It seeks to **stabilize the marketplace** at a time when energy prices are out of control.
- ✓ We will drive a **hard bargain** with the utility industry and others to get the **best deal for consumers**.
- ✓ The plan is **financially sound** and will protect taxpayers, consumers, jobs and our economy.
- Assembly Bill 18X is the *first step* to ensure our long-term energy future.
- The California dream of a better life is in danger if we do not immediately move to return stability to our power supply. Without stable, reliable and affordable energy, our state's economic engine will most certainly falter.
- This is an unprecedented crisis that affects every corner of our state --- hospitals, schools, farms, businesses, public transportation. That is why the California Assembly has worked around the clock and moved with deliberate speed to introduce AB 18X.
- **With the introduction yesterday of AB 18X and a growing consensus, we have real momentum to develop a workable energy program for California.**

**Specifically, AB 18X:**

- Authorizes the Department of Water Resources (DWR) to enter into long-term contracts to buy electricity from power generators at significantly lower prices than the Investor-Owned Utilities (IOUs) have been paying because of their lack of credit and resell it directly to their residential and commercial customers.
- Allows local publicly-owned utilities, at their discretion, to purchase power from DWR. While their customers have escaped some of the problems associated with the power contract, they too have had to purchase some of their power on the spot market at inflated rates. Their customers need to be similarly protected.
- Requires the California Public Utilities Commission (CPUC) to establish a dedicated rate component within the retail rates to enable the IOUs to recover their net undercollections. As the state will assume the responsibility for all the power that consumers require beyond that produced by the IOUs through their existing generators and ongoing contracts with Qualifying Facilities (small producers of alternative power such as windmills and biomass), the IOUs should be able to acquire a positive cash flow going forward, enabling them to deal with their debts to creditors.
- In order to ensure that the people of California are fairly compensated for any assistance provided by the state to the IOUs to prevent bankruptcies, authorizes the Director of the Department of Finance to accept on behalf of the state any tangible or intangible asset of an IOU, including any parent or subsidiary company.
- Appropriate, as a loan, an amount from the general fund to the DWR Electric Power Fund, and require the loan to be repaid as soon as possible through the issuance of securities by the State Treasurer, to pay for the difference, if any, between what it costs the state to purchase electricity and the proceeds received from retail rates within the rate structure established by the CPUC.

### ISO moves back into Stage 3 alert for Friday

California's power managers unexpectedly returned to a State 3 alert before dawn Friday to get needed Northwest electricity when a plant went down, as lawmakers struggled to find a permanent solution to the state's energy

At one minute before midnight Thursday, the energy managers had lifted the Stage 3 alert for the first time since Jan. 9. That alert means power reserves are so low that there is a good chance of blackouts.

### Bids in hand, state crafting long-term power plan

With dozens of bids in hand from suppliers willing to sign long-term contracts providing energy-starved California with power, Gov. Gray Davis believes the state can keep its lights on without going broke.

Lawmakers turned Thursday to finding the more difficult long-range solutions to the energy crisis that has left hundreds of thousands of people in the dark twice. The source of Davis' confidence is an auction officials completed Wednesday at which the governor said 39 power generators came forward to bid on long-term contracts to provide energy to California. The contracts would last from six months to 10 years.

Although the average bid of \$69 a megawatt was higher than the \$55 officials had hoped for, it was still far lower than the \$600 the state has sometimes had to pay on the open market.

### Bush would ease pollution controls to help power crisis

Hoping to ease California's electricity crisis, President Bush is prepared to let the state roll back its air pollution requirements on power plants, administration officials said Thursday.

Senior advisers also are exploring ways that Mexico might boost electricity shipments into the state, although that might not be possible immediately.

California pollution control officials said environmental restrictions have not interfered in power plants operating at maximum capacity. They said the state already has made some adjustments in air rules--when needed--to keep power flowing and doesn't need a waiver.

### Governor Davis appoints new ISO board

Governor Gray Davis has appointed the new members of the revamped Independent System Operator (ISO) Board as a result of Legislation signed into law earlier this month.

The new members will replace the 26-member board that had been dominated by officials from the power industry. The new board members cannot be involved directly in the electricity industry.

Appointed by Davis were: Michael Kahn, a former member of the Electricity Oversight Board; Carl Guardino, president of the Silicon Valley Manufacturing Group; Michael Florio, senior attorney for The Utility Reform Network (TURN); Maria Contreras-Sweet, state Secretary of Business, Transportation and Housing; and, Tal Finney, policy director to Davis who served as an interim commissioner on the CPUC.

### Power Exchange powers down

The California Power Exchange, that was supposed to become an open market for the buying and selling of power, has laid off 25 workers and announced it is taking steps to "wind up the affairs of the corporation." Officials said that the high cost of power and the precarious financial situation of the state's utilities has eliminated the market. Nearly all power purchases are currently being made

through the Independent System Operator (ISO) which was designed for short-term, "spot" purchases of power.

### Judge blocks liquidation of Edison power contracts

Attorney General Bill Lockyer has obtained a temporary injunction blocking the California Power Exchange from selling off the forward positions held by Southern California Edison. Edison initially went to court to block any sale after it failed to make payments to the Power Exchange. Exchange rules allow it to take these forward contracts and sell them to others, if utilities fail to make scheduled payments. In seeking the court order, Lockyer said that the removal of these contracts might have "a severe effect on California's already calamitous electricity situation." PG&E sought a similar order from a court in San Francisco saying that it would not make a \$12 million payment that was due Wednesday.

### DWR Power Acquisition for CAISO

Date	MWH	Total	Average \$/MWH
12/5/00	8,000	\$5,600,000	\$700
12/6/00	15,000	\$15,000,000	\$1,000
1/11/01	12,421	\$4,681,445	\$377
1/12/01	9,445	\$2,920,375	\$309
1/13/01	1,065	\$274,000	\$257
1/14/01	1,717	\$433,025	\$252
1/15/01	5,825	\$1,633,500	\$280
1/16/01	2,221	\$1,191,800	\$537
1/17/01	15,190	\$8,698,000	\$573
1/18/01	26,056	\$11,665,596	\$448
1/19/01	54,580	\$19,699,725	\$361
1/20/01	85,296	\$21,257,175	\$249
1/21/01	79,000	\$20,483,249	\$259
1/22/01	129,085	\$42,816,753	\$332
1/23/01	140,160	\$50,001,577	\$357
1/24/01	129,160	\$42,578,997	\$330
<b>Total</b>	<b>714,221</b>	<b>\$248,935,217</b>	<b>\$414</b>

### Biggest Bush contributor major player in power crisis

One of the biggest beneficiaries of the California power crisis is a Texas energy conglomerate that more than any other single company has helped bankroll President Bush's political career.

Enron Corp. of Houston is among a handful of a new generation of independent electric power brokers and producers that have reaped giant revenue increases from California's power shortages and higher natural gas prices.

The new president's rejection of price controls to hold down soaring electricity costs in the Golden State reflects the views of Enron, the largest wholesaler of electricity and largest owner of natural gas pipelines in North America.